

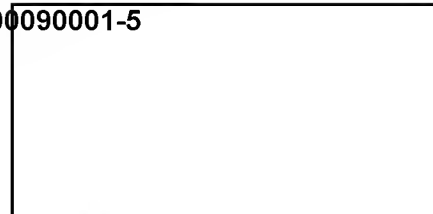


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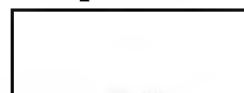
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National Intelligence Daily (Cable)

10 March 1979

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SITUATION REPORT

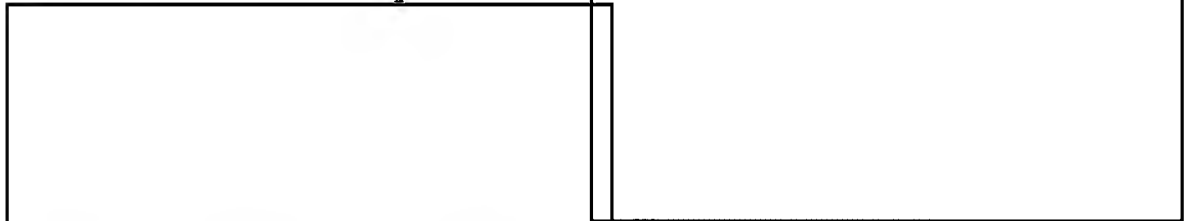
CHINA-VIETNAM-USSR

Chinese forces are continuing their withdrawal from northern Vietnam despite harassment by Vietnamese units.

Chinese and Vietnamese Political Activity



//Neither China nor Vietnam seems eager for the situation to degenerate into large-scale violence again. Both, however, remain pessimistic about future negotiations over border questions.



Soviet Political Activity

Soviet Premier Kosygin arrived in New Delhi yesterday. Such a visit to India had been expected for several months and is not a consequence of the Sino-Vietnamese conflict. Kosygin publicly condemned Chinese aggression and expansionism in Vietnam and called for a complete and unconditional withdrawal of Chinese troops.

//Vietnam's Ambassador to Bangkok said yesterday that Hanoi recently agreed to allow Soviet naval port calls at Cam Ranh Bay, Da Nang, and other ports. The

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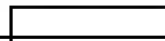


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Ambassador portrayed the Vietnamese concession as having been less than the Soviets desired, saying Moscow had sought to use the ports as naval bases. He added that Hanoi's refusal of base rights greatly disappointed the Soviets, but "our interests do not coincide in this area." The Ambassador gave no specific indication of what the Soviets provided Vietnam in exchange.//

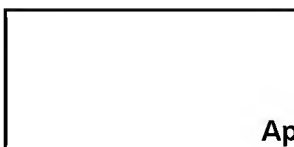


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FRANCE: Resistance to Steel Industry Reorganization

French steel workers appear to have won at least a short-term victory in their battle with the government over its plan to reorganize the steel industry and lay off more than 20,000 workers. Following violent demonstrations this week in a small northern steel town, Minister of Labor Robert Boulin announced that plans for layoffs would be "suspended" during negotiations with the unions.

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The government probably will now try to get an overall agreement with the unions before June, when the layoffs were scheduled to begin. The government has, in fact, admitted that it has to do more to ease the effects of the restructuring. In an effort to induce workers into early retirement, Boulin has submitted to the unions a plan for special new bonus payments valued at about \$1.6 billion. The government also has indicated its willingness to engage in considerable retraining of workers.

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The situation in the north is now calm, but it is not clear whether these or any other measures the government may take will satisfy the steel workers. The government appears to be stalling and has given no indication that it plans to back down on its overall policy of modernizing the steel industry.

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A total capitulation by the government, that is, with Paris stepping in with massive and prolonged subsidies to the steel industry, would be conceding failure on a major plank of its program and appears unlikely. It would almost certainly end Prime Minister Barre's tenure, either through resignation or dismissal. A key question is at what point Barre will decide that a reversal has occurred. The situation does not appear to have reached that point yet, but the need to preserve public order is paramount for the French Government, which bears psychological scars from the near-collapse of the de Gaulle government during rioting and demonstrations in May 1968.

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CHAD: Deepening Political Divisions

The current struggle between Christian President Malloum and Muslim Prime Minister Habre has further polarized Chadians along regional and religious lines. The division between northern Muslims and southern Christians and pagans almost certainly precludes negotiating a durable political settlement even though a new cease-fire agreement has apparently gone into effect in Ndjamena.

Some 250 troops loyal to Muslim rebel leader Goukouni reportedly have joined Habre's forces in Ndjamena. Such an alliance--the first since Goukouni ousted Habre as head of the insurgency movement more than two years ago--may well tip the military balance in Ndjamena against Malloum.

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Anti-Muslim excesses are spreading in southern Chad. The French have evacuated several hundred Europeans from Moundou, where large numbers of Muslims were killed in three days of rioting last week. Fighting has been reported in eastern Chad between insurgent forces and French troops.

The military situation in Ndjamena appears to have stabilized temporarily. Malloum, Habre, and Goukouni are reported to have accepted a cease-fire to be monitored by a joint French-Nigerian peacekeeping force. The Nigerian-sponsored meeting between government and rebel representatives--postponed since Wednesday--may also be back on track now that Malloum has agreed to attend. Both Malloum and Habre had refused to leave Ndjamena during the latest fighting, each believing the other would stay behind to consolidate his military position.

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UNCTAD: Common Fund Negotiations

Developed and developing countries probably will move closer to a framework agreement on some aspects of the common fund for commodities as negotiations resume today in Geneva. Wide differences still separate the two groups, however, especially on the size and uses of the fund. [REDACTED]

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The less developed countries are anxious to conclude a common fund agreement before the UN Conference on Trade and Development in May in order to claim a success and begin concentrating on new issues. They have explicitly linked successful common fund negotiations to the atmosphere of North-South relations in general. [REDACTED]

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The session last November made some progress, and developed countries agreed to make mandatory, direct contributions to the fund. One of the main issues at this session is the scale and use of these contributions. [REDACTED]

The developing country negotiating caucus, the Group of 77, has shown some flexibility by not officially setting a figure for the total capital that is to be in the fund. Privately, however, the Malaysians, supported by other members of the Association of Southeast Asian Nations, endorse \$500 million as the minimum acceptable to provide adequate resources for price stabilization functions. The developed countries prefer a smaller financial base, and want the individual commodity agreements that become part of the fund to provide the bulk of financing. [REDACTED]

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Also undecided is what portion, if any, of the direct contributions will be earmarked to support the commodity development projects sought especially by the Africans. Most developed countries prefer voluntary contributions for this aspect of the fund's operations. Some compromise may be possible if donors could stipulate how their mandatory contribution was to be allocated among the fund's activities. [REDACTED]

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UGANDA: Economic Impact of War

The Ugandan economy is already crippled after years of mismanagement, and President Amin's regime is desperately in need of foreign aid to support its war effort against Tanzania. Whatever regime emerges from the war will inherit a greatly disabled economy.

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Most of Amin's appeals for military and financial support have fallen on deaf ears, and shortages of fuel, spare parts, ammunition, and artillery are severe.

The commandeering of trucks from private businesses and farms and the diversion of fuel from civilian uses has brought Uganda's decayed domestic transport system to a virtual halt. This has resulted in threatened food shortages in Kampala and has aggravated the cutback in coffee exports caused by fighting in the major coffee growing areas. London coffee traders reportedly believe that coffee shipments from Uganda by rail will be suspended.

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Whatever the outcome, the end of the war will bring little immediate economic relief. If Amin is deposed, the country's badly deteriorated transportation and communications networks, damaged industrial plant and equipment, and decaying commercial agricultural sector would take years to repair, despite probable Western humanitarian and economic aid. If Amin remains in power, economic deterioration will continue.

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USSR: New Efforts to Spur Efficiency

The USSR Council of Ministers plans major new directives on economic planning and management aimed at increasing the productivity of labor and capital equipment and at reducing waste of industrial materials. Policymakers are especially concerned over the growing backlog of unfinished construction projects and the marked slowing of annual increments in the labor supply. The new measures almost certainly will not change the basic operating principles of the Soviet economic administration. We anticipate only minimal increases, if any, in the freedom of enterprise management to innovate or respond pragmatically to local conditions. Recent indications, in fact, point to even tighter controls by central planning bodies over the daily operation of the economy.

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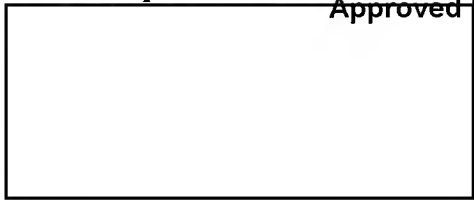
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